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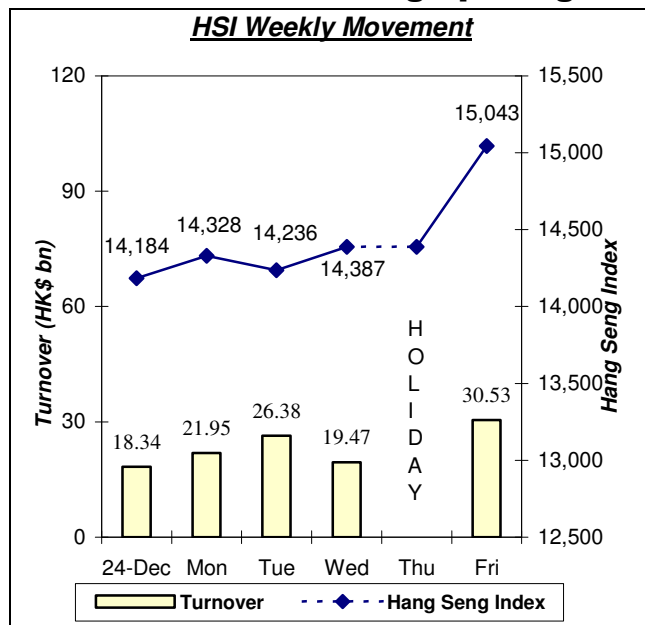
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report2nd January 2009**A strong opening for the local bourse in 2009**

Weekly Market Statistics				
Week ended	02/1/2009	24/12/2008	Change	%
Hang Seng Index	15,043	14,184	+859	+6.1%
HS Red Chip Index	3,442	3,183	+259	+8.1%
HS China Enterprises Index	8,314	7,685	+629	+8.2%
HS Composite Index	2,066	1,951	+115	+5.9%
HS HK Composite Index	1,472	1,417	+56	+3.9%
HS Mainland Composite Index	2,784	2,603	+182	+7.0%
Growth Enterprise Index	382	373	+8	+2.2%
Avg Daily Turnover (HK\$ bn)	28.1	34.7	-7	-19.1%
Sectoral Indices				
Finance	22,832	21,775	+1,057	+4.9%
Utilities	33,861	33,115	+746	+2.3%
Properties	17,832	17,134	+698	+4.1%
Comm & Ind	8,280	7,639	+641	+8.4%

Review & Outlook of Market Performance

Lacking major economic releases both locally and in the US, trading of the HSI was range-bound before the New Year holiday. Nevertheless, Hong Kong shares rose as much as 4.6% on their first trading day in 2009 and helped the HSI finish the week at 15,042.81, up 6.05% or 858.67 points w-o-w. Despite the surprising rally, investors were mostly in a cautious mood, with the average daily market turnover dropped to HK\$28.1 billion from last week's HK\$34.7 billion.

Energy counters were among the big winners over the week on the back of surging crude oil prices, after Israeli air strikes in the Gaza Strip raised concerns that supply from the Middle East might be curtailed. CNOOC rallied 14.31% w-o-w to HK\$7.59 while PetroChina also jumped 13.21% w-o-w to HK\$7.20. On the IPO front, the two listing candidates lured only lukewarm response from the public. Strong Petrochemical (00852), likely to be the first firm to go public this year, received less than HK\$1 million in margin financing orders while China Singyes Solar Technologies (00750), the second company seeking to be listed, received about HK\$5 million so far.

As a wrap-up for the 2008, the HSI slumped 48.3% or down 13,425.2 points over the year, its worst performance since a 60% plunge in 1974 fuelled by the global oil crisis. All stocks of the blue chip index ended the year lower with Foxconn, CITIC Pacific, Chalco, New World Development and Sino Land shedding more than 70% and 34 of the HSI constituent stocks losing more than 40% of their values this year. The HSCEI even underperformed the HSI with a 51% drop as the Chinese economy started showing signs of faltering amid global recession.

Looking ahead, trading activity should gradually pick up after the New Year holiday and investors are awaiting US economic figures to be released in the coming week such as employment situation and pending home sales index. Even though the Hong Kong market registered the best performing first trading day of the year since 1970, we see the near term upside to be capped at 16,000 as the financial crisis is still far from resolved.

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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
2nd January	8,776.39*	1,577.03*	8,859.56^	1,799.72	894.36	449.96^	4,591.22*
24th December	8,468.48	1,524.09	8,517.10	1,736.99	869.62	439.17	4,423.09
Change	+307.91	+52.94	+342.46	+62.73	+24.74	+10.79	+168.13
%	+3.6%	+3.5%	+4.0%	+3.6%	+2.8%	+2.5%	+3.8%

Remarks: (*) closing as of 31st December 2008, (^) closing as of 30th December 2008

Major Changes in Index Constituent Stocks (Week ended 2nd January 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @2/1/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Bank of China	03988	HK\$2.17	-HK\$0.03	-1.36%	UBS sold 3.4 billion shares in Bank of China to 15 institutional investors through a placement, cashing in US\$835 million. Bank of China later said its other major foreign investors had no plans to sell their stakes.

Hang Seng China Enterprises Index (HSCCI)

Stock	Stock Code	Closing Price @2/1/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communications Services	00552	HK\$5.21	+HK\$0.72	+16.04%	Chinese telecom equipment makers and service providers were in focus after China's state council said on Wednesday it had approved the issuance of long-awaited licences for the next generation (3G) mobile networks, opening the door to some \$41 billion in spending for telecom equipment and services.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @2/1/09	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$7.59	HK\$0.95	+14.31%	Oil producer CNOOC outperformed following a rise in crude oil prices as OPEC members began complying with agreed output cuts. Oil prices were also boosted by heightened tensions in the Middle East and eastern Europe after Israeli air strike in the Gaza Strip and Russian energy giant Gazprom threatened that it might cut off natural gas supplies to neighbouring Ukraine because of a dispute over unpaid bills.



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Confidence – December 2008	38	The consumer confidence index fell to 38 in December, down from 44.7 in November and was much weaker than the 45.5 reading that had been forecasted by analysts. The reading is at its lowest point since the establishment of the index in 1967, and below the previous low of 38.8 in October 2008.
Initial jobless claims – Week ended 27 th December 2008	-94,000	Initial jobless claims fell 94,000 to 492,000 in the week ended 27 th December 2008 from 586,000 in the prior week. It was the lowest reading for initial claims since the week ended 1 st November 2008 and the steepest decline since 1992. Nevertheless, the Labour Department official said the timing of the year-end holidays was likely to blame for the large decline and warned this situation could persist for several more weeks.

Forthcoming Important Announcements / Events

5 th January 2009 (Monday)	HK	:	Berjaya Holdings (00288) – Interim results
	US	:	Construction Spending – November 2008
6 th January 2009 (Tuesday)	HK	:	No important announcement/ event
	US	:	Factory Orders – November 2008 ISM Non-Manufacturing – December 2008 Pending Home Sales – November 2008
7 th January 2009 (Wednesday)	HK	:	No important announcement/ event
	US	:	Bed Bath & Beyond Inc. – Q3 2008 earnings release Family Dollar – Q1 2009 earnings release Constellation Brands, Inc – Q3 2009 earnings release Supervalu Inc. – Q3 2009 earnings release Monsanto Company – Q1 2009 earnings release
8 th January 2009 (Thursday)	HK	:	No important announcement/ event
	US	:	Initial jobless claim – for the week ended 3 rd January 2009 Consumer Credit – November 2008 Chevron – Q4 2008 earnings release Apollo Group – Q2 2008 earnings release
9 th January 2009 (Friday)	HK	:	No important announcement/ event
	US	:	Employment Situation – December 2008 Wholesale Trade – November 2008 KB Home – Q4 2008 earnings release

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