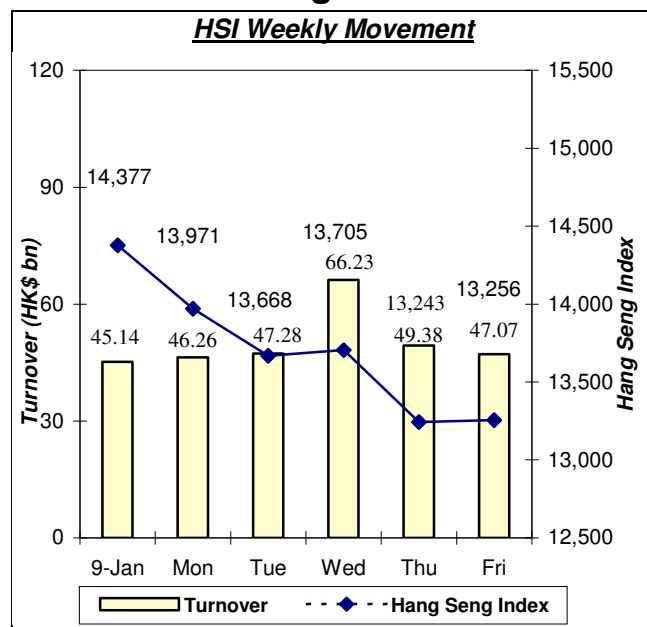


HSI dodged the downdraft and closed above 13,000 mark



Weekly Market Statistics				
Week ended	16/1/2009	09/1/2009	Change	%
Hang Seng Index	13,255	14,377	-1,122	-7.8%
HS Red Chip Index	2,983	3,227	-244	-7.6%
HS China Enterprises Index	7,147	7,724	-576	-7.5%
HS Composite Index	1,831	1,963	-132	-6.7%
HS HK Composite Index	1,347	1,465	-119	-8.1%
HS Mainland Composite Index	2,425	2,579	-154	-6.0%
Growth Enterprise Index	356	374	-18	-4.7%
Avg Daily Turnover (HK\$ bn)	51.2	58.8	-8	-12.9%
Sectoral Indices				
Finance	19,689	21,393	-1,704	-8.0%
Utilities	34,112	33,800	+312	+0.9%
Properties	16,793	17,986	-1,193	-6.6%
Comm & Ind	7,188	7,918	-730	-9.2%

Review & Outlook of Market Performance

Hong Kong shares fell in the first two days of the week amid gloomy economic data in the US and China. U.S. jobless numbers rose to their highest level in 16 years, while exports in China fell 2.8% yoy to US\$111.16bn and imports fell 21.3% yoy to US\$72.18bn. Oil plays led the market down as crude oil slipped amid concern over shrinking demand. Sales of BOC shares by Bank of Scotland (following the sale by Li Ka Shing Foundation a week before), helped relief share overhang pressure on BOC and lift Chinese banks in general. However, poor Wall Street performance and broker downgrades on HSBC, dragging the benchmark index down to an intra-day low of 12,904.05 on Thursday. The Hang Seng Index finally plunged 1,121.93 points or 7.8% over the week to 13,255.51, while the HSCEI fell 7.46% to 7,147.34. Mainboard turnover fell with the daily average down by 12.9% w-o-w to HK\$51.2 billion.

Bank of China jumped as much as 6.5% on Wednesday and ended the week at HK\$2.04, up 4.1% as Royal Bank of Scotland sold all its holdings in the bank which helped remove the bank's share overhang risk. HSBC ended at HK\$64.2, down 14.1%, after falling to as low as HK\$63.5 on Friday morning. The shares plunged as Morgan Stanley slashed its target price on the stock by 31% to HK\$52 and warned it might have to raise as much as USD30 billion and halve its dividend as earnings drop. This was then echoed by Goldman two days later, who cut the bank's target price to HK\$49. Meanwhile, although Strong Petrochemical closed its trading debut below its IPO price of HK\$2.5, the counter ended the week at HK\$2.62. Another IPO candidate, China Singyes had a much better performance and closed at HK\$1.33 (vs. IPO price of HK\$1.05). Real Gold, a gold miner in Inner Mongolia, plans to have its IPO in Hong Kong in mid February, raising between US\$120 million and US\$160 million.

Looking forward into next week, trading is expected to be more cautious as the US corporate earnings reporting season has started with major economic data to be released next week. On the other hand, given weak economic data, interest rate in China is expected to be cut again by the Chinese New Year. We see the HSI to be range-bound next week with support at 12,800 and cap at 14,000.

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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
16th January	8,212.49*	1,511.84*	8,230.15	1,730.45	896.47	435.20	4353.70
9th January	8,599.18	1,571.59	8,836.80	1,806.02	919.07	459.06	4,502.74
Change	-386.69	-59.75	-606.65	-75.57	-22.60	-23.86	-149.04
%	-4.5%	-3.8%	-6.9%	-4.2%	-2.5%	-5.2%	-3.3%

Remarks: (*) closing as of 15th January 2009**Major Changes in Index Constituent Stocks (Week ended 16th January 2009)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @16/1/09	W-O-W Change		Remarks / Comments
			Absolute	%	
CHALCO	02600	HK\$3.67	-HK\$0.83	-18.44%	The worst performed share in the HSI on concern over demand for copper amid the global downturn.
HK Electric	00006	HK\$44.15	+HK\$2.05	+4.87%	The company expects its overseas business to generate 20% to 25% of its revenue in five years (compared with existing 12%) and is looking at potential new investments in Australia, Canada and Europe.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @16/1/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communications Construction Corp (CCCC)	01800	HK\$7.44	-HK\$2.06	-21.68%	Two of its subsidiaries, China Harbor Engineering Company and China Road and Bridge Corp, were alleged by World Bank to be involved in bribery in bidding a port project in Bangladesh and collusive practices under a World bank-financed roads project in the Philippines respectively.
Bank of China	03988	Hk\$2.04	+HK\$0.08	+4.08%	Share price of Bank of China jumped as much as 6.5% on Wednesday after Royal Bank of Scotland sold all its holdings in the bank which helped remove the bank's share overhang risk.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @16/1/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchant Holding International	00144	HK\$13	-HK\$2.36	-15.36%	The counter slumped the most in the HSCEI on broker's downgrade due to weaker associate incomes.



Summary of US Economic News

Indicator	Change/Index	Comments
Retail sales – December 2008	-2.7% m-o-m	Retail sale fell 2.7% m-o-m in December 2008, dropping more than twice the rate being forecasted on rising concerns over job security, declining home prices and stock values.
Business inventories – November 2008	-0.7% m-o-m	Business inventories in Nov fell more than forecast with 0.7% drop, following a 0.6% decline in October 2008. This was the third consecutive month with falling inventories, as companies tried to reduce inventory level amid shrinking demand.
Initial jobless claim – for the week ended 10 th January 2009	+54,000	Initial jobless claims rose unexpectedly by 54,000 last week to 524,000, from a revised 470,000 the prior week, reflecting continuous weakness in the labor market.
Producer price index – December 2008	-1.9% m-o-m	In line with expectations, producer price index dropped 1.9% in December on falling commodity costs, which was the fifth straight monthly decline after a 2.2% decrease in November. Meanwhile, the core PPI (excluding food and energy) rose 0.2% after a 0.1% increase in Nov.

Forthcoming Important Announcements / Events

19 th January 2009 (Monday)	HK	:	Unemployment rate – December 2008 Sunway International Holdings Limited (00058) – final results Mae Holdings Limited (00851) – interim results
	US	:	US Holiday: Martin Luther King Jr. Day
20 th January 2009 (Tuesday)	HK	:	Ming Fung Jewellery Group Limited (00860) – final results B.A.L. Holdings Limited (08079) – final results CCT Resources Holdings Limited (08163) – Q3 2008 results
	US	:	State Street Investor Confidence Index – January 2009 Bank of America Corporation – Q4 2008 results IBM – Q4 2008 results Johnson & Johnson – Q4 2008 results State Street Corporation – Q4 2008 results
21 st January 2009 (Wednesday)	HK	:	QPL International Holdings Limited (00243) – interim results Digitalhongkong.com(08007) – interim results
	US	:	Housing market index – January 2009 Apple Inc – Q1 FY2009 results Northern Trust – Q4 2008 results
22 nd January 2009 (Thursday)	HK	:	CPI – December 2008 Far East Pharmaceutical Technology (0399) – interim results
	US	:	Housing starts – December 2008 Initial jobless claims – Week ended 17 th January 2009 Citigroup Inc. – Q4 2008 results Google Inc – Q4 2008 results Microsoft – Q2 FY2009 results
23 rd January 2009 (Friday)	HK	:	Sichuan Express Company Limited (00107) – final results China Power New Energy Development Company Limited (00735) – interim results North Asia Strategic Holdings Limited (08080) – Q3 2008 results
	US	:	Ford Motor – Q4 2008 results General Electric – Q4 2008 results Xerox Corporation – Q4 2008 results



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