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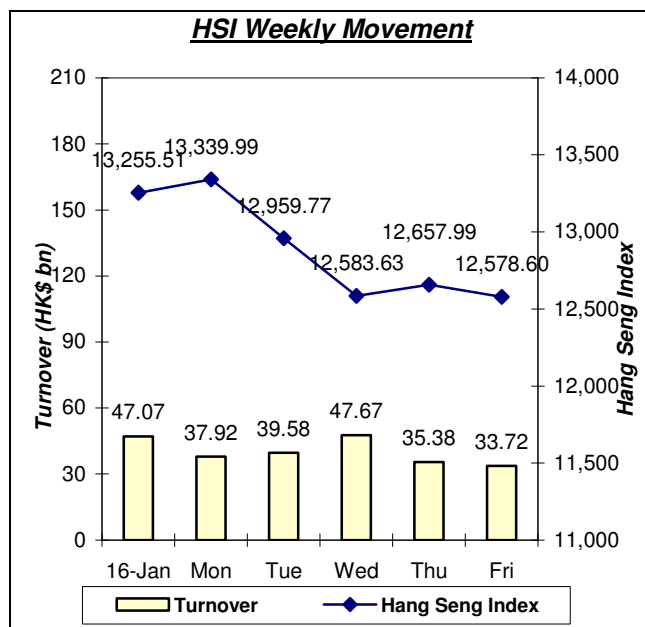
EAST ASIA SECURITIES COMPANY LIMITED

9/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 3608 8000 Research: 3608 8098 Facsimile: 3608 6132

HONG KONG RESEARCH**Restricted circulation**

Analyst: Kelvin Li

Weekly Report23rd January 2009**Battered financials led the market down for the 3rd straight week**

Weekly Market Statistics				
Week ended	23/1/2009	16/1/2009	Change	%
Hang Seng Index	12,579	13,255	-677	-5.1%
HS Red Chip Index	2,873	2,983	-110	-3.7%
HS China Enterprises Index	6,662	7,147	-485	-6.8%
HS Composite Index	1,744	1,831	-87	-4.8%
HS HK Composite Index	1,285	1,347	-61	-4.5%
HS Mainland Composite Index	2,307	2,425	-119	-4.9%
Growth Enterprise Index	356	356	+0	+0.0%
Avg Daily Turnover (HK\$ bn)	38.9	51.2	-12	-24.2%
Sectoral Indices				
Finance	18,000	19,689	-1,689	-8.6%
Utilities	34,112	34,112	-0	-0.0%
Properties	16,249	16,793	-544	-3.2%
Comm & Ind	6,979	7,188	-209	-2.9%

Review & Outlook of Market Performance

Hong Kong stocks fell for the third week in a row, as sell-off in worldwide financial plays re-emerged following disappointing results from Royal Bank of Scotland and State Street. Talks of rights issue led to additional selling pressure on HSBC and sent it to a fresh 10-year low, which gave the HK's blue-chip index a hard hit during the week. The Hang Seng Index ended the week down by 676.91 points or 5.1% to 12,578.60. The HSCEI tumbled 6.8%, dragged by poor performance of China Life on its profit warning. Market turnover eased ahead of the Lunar New Year holiday, with the daily average down to HK\$38.9 billion from HK\$51.2 billion in the previous week.

Bellwether HSBC fell for 8 consecutive sessions before a minor pick-up on Thu and Fri, as analysts revised sharply down its target price amid talks of rights issue to raise additional capital. HSBC declined the rumor, but its shares still hit a low of HK\$54.9 on Wed and ended the week down by 10.5%. Meanwhile, China said GDP growth slowed to 9.0% in 2008 from 13.0% a year ago, marking the slowest pace in seven years, as the economy grew only 6.8% in Q4. It explained why Beijing swiftly launched the massive RMB4,000 billion economic stimulus package in November last year. Due to a sharp downturn in economic growth in Q4 as well as volatile financial market conditions in 2H 2008, corporate earnings was hard hit, leading to profit warning from major H-share companies like China Life, Sinopec, China Railway. Nonetheless, such profit warnings may not be negative to share prices. For instance, Sinopec said its 2008 bottom line would decline by more than 50%, but indeed we saw its operating environment has largely improved since Q4 2008. Sinopec outperformed the general market with a contained 2.1% drop during the week.

HK investors will experience a long holiday break amid the Lunar New Year. In the meantime, the Federal Reserve will hold the first FOMC meeting in 2009 on next Tue and Wed and interest rates are seen to stay at the current ultra low levels. For the HK stock market, the HSI has initially formed a support near 12,500. However, its performance in the beginning of the Year of OX will largely depend on performance of overseas markets during the holiday break, especially whether the Dow Jones Industrial Average could hold on to the 8,000 mark.

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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
23rd January	8,122.80*	1,465.49*	7,745.25	1,685.23	872.69	433.52	4,247.97^
16th January	8,281.22	1,529.33	8,230.15	1,730.45	896.47	435.20	4,353.70
Change	-158.42	-63.84	-484.90	-45.22	-23.78	-1.68	-105.73
%	-1.9%	-4.2%	-5.9%	-2.6%	-2.7%	-0.4%	-2.4%

Remarks: (*) closing as of 22nd January 2009; (^) closing as of 21st January 2009

Major Changes in Index Constituent Stocks (Week ended 23rd January 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @23/01/09	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC Holdings	00005	HK\$57.45	-HK\$6.75	-10.51%	The banking giant hit a 10-year low on Wed, amid talks of rights issue and downgrade by market analysts.
China Mobile	00941	HK\$68.45	-HK\$0.75	-1.08%	China Mobile said it added 7.071 million subscribers in Dec 2008, 3% more than the addition in Nov. It showed that China Mobile's leading position in the PRC mobile and telecom industry remained intact, with slowdown in mobile subscriber growth in rival China Unicom.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @23/01/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Life Insurance	02628	HK\$19.90	-HK\$2.30	-10.36%	China Life said its 2008 earnings would decrease by more than 50% y-o-y, due to poor performance of the domestic capital markets as well as increased claims on natural disasters.
Angang Steel	00347	HK\$6.45	-HK\$1.69	-20.76%	Angang Steel issued a profit warning that it saw its 2008 earnings down by nearly 55% y-o-y, mainly dragged by rising costs of raw materials and fuels.
Datang Power	00991	HK\$3.30	-HK\$0.03	-0.90%	Datang Power warned that its 2008 profit would drop by 85% y-o-y, due to surging cost of thermal coal.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @23/01/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$6.84	-HK\$1.21	-15.03%	Unicom's share prices plunged, as figures showed its net mobile subscriber addition dropped by more than half m-o-m in Dec. Its fixed-line subscriber base also posted a sharp 4.87 million loss, compared with a drop of 1.52 million in Nov.



Summary of US Economic News

Indicator	Change/Index	Comments
Housing starts – December 2008	-15.5%	Housing starts tumbled a sharp 15.5% m-o-m in Dec to an annual rate of 550,000, hitting an all-time low since the launch of the data in 1959. It was also much weaker than forecast of 610,000.
Initial jobless claims – Week ended 17 th January 2009	+62,000	Initial jobless claims surged 62,000 to a 26-year high of 589,000 last week, worse than market expectations of a rise to 548,000.

Forthcoming Important Announcements / Events

26 th January 2009 (Monday)	HK	:	Lunar New Year's Day – market holiday
	US	:	Existing home sales – December 2008 Index of leading economic indicators – December 2008 American Express Company – Q4 2008 results Amgen – Q4 2008 results Caterpillar Inc. – Q4 2008 results McDonald's Corporation – Q4 2008 results Texas Instruments – Q4 2008 results
27 th January 2009 (Tuesday)	HK	:	The 2 nd Day of the Lunar New Year – market holiday
	US	:	FOMC meeting Consumer confidence – January 2009 DuPont – Q4 2008 results Sun Microsystems – Q2 FY2008/09 results Verizon – Q4 2008 results Yahoo, Inc. – Q4 2008 results
28 th January 2009 (Wednesday)	HK	:	The 3 rd Day of the Lunar New Year – market holiday
	US	:	FOMC meeting & policy announcement AT&T – Q4 2008 results Pfizer – Q4 2008 results Starbucks – Q1 FY2008/09 results The Boeing Company – Q4 2008 results Wells Fargo & Company – Q4 2008 results
29 th January 2009 (Thursday)	HK	:	No important announcement/event
	US	:	Initial jobless claim – for the week ended 24 th January 2009 Orders for durable goods – December 2008 New home sales – December 2008 3M company – Q4 2008 results Amazon.com, Inc. – Q4 2008 results International Paper Co. – Q4 2008 results
30 th January 2009 (Friday)	HK	:	No important announcement/event
	US	:	Gross domestic product (advanced) – Q4 2008 Consumer sentiment (revised) – January 2009 Chervon – Q4 2008 results ExxonMobil Corporation – Q4 2008 results Procter & Gamble Company – Q4 2008 results



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