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HONG KONG RESEARCH

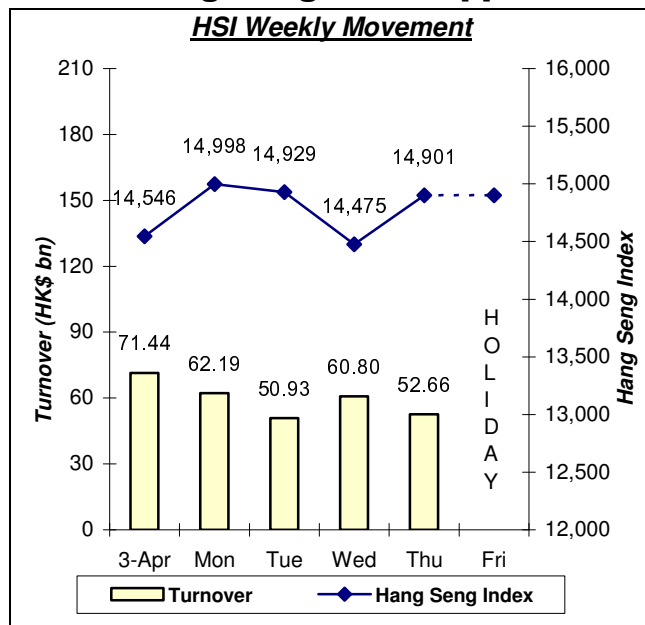
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Weekly Report

9th April 2009

Hang Seng Index approaches 15,000 ahead of Easter holidays



| Weekly Market Statistics | | | | |
|---------------------------------|-----------|-----------|--------|-------|
| Week ended | 09/4/2009 | 03/4/2009 | Change | % |
| Hang Seng Index | 14,901 | 14,546 | +356 | +2.4% |
| HS Red Chip Index | 3,190 | 3,195 | -5 | -0.2% |
| HS China Enterprises Index | 8,832 | 8,575 | +257 | +3.0% |
| HS Composite Index | 2,060 | 2,022 | +38 | +1.9% |
| HS HK Composite Index | 1,422 | 1,390 | +32 | +2.3% |
| HS Mainland Composite Index | 2,819 | 2,772 | +47 | +1.7% |
| Growth Enterprise Index | 407 | 400 | +7 | +1.6% |
| Avg Daily Turnover (HK\$ bn) | 56.6 | 60.0 | -3 | -5.6% |
| Sectoral Indices | | | | |
| Finance | 21,953 | 21,117 | +836 | +4.0% |
| Utilities | 35,690 | 34,118 | +1,572 | +4.6% |
| Properties | 19,511 | 19,248 | +263 | +1.4% |
| Comm & Ind | 8,020 | 7,996 | +24 | +0.3% |

Review & Outlook of Market Performance

Hong Kong stocks continued to firm up this week although the market seemed lacking a clear direction as there is only a few release of economic data in the shortened trading week ahead of the long Easter Holidays. The benchmark HSI closed Thursday at 14,901.41, up 355.72 points or 2.45% w-o-w. Average daily turnover was HK\$56.6 billion, compared with HK\$60.0 billion a week earlier.

Taking the limelight this week were CITIC Pacific and PCCW. The former announced a top management reshuffle on Wednesday, including the resignation of both the company's founding Chairman Larry Yung Chi Kin and Managing Director Henry Fan Hung Ling, amid a scandal over currency losses. Its shares resumed trading on Thursday, registering a 12.2% w-o-w gain as investors expected the company could rebuild the corporate governance after their resignation. On the other hand, PCCW also resumed trading on Tuesday and gained 4.0% to HK\$4.10 this week after the High Court approved PCCW Chairman Richard Li's buyout of the PCCW, clearing the way for him to take over the company. However, HKSFC said it would appeal to the high court decision, creating another uncertainty to the privatization plan.

Company results announcement in Hong Kong is drawing to an end and leaving only a few major blue chips announced their results this week. Ping An Insurance posted its first drop in annual profit since its listing in 2004 after writing down impairment losses from its investment in the European Fortis financial group. Its net income dropped 99% to RMB268m from RMB18.7bn a year earlier. Another HSI constituent stock - COSCO Pacific, reported net profit drop of 36% last year after missing the one-off gains from the disposal of its investment in Chong Hing Bank in 2007.

On the IPO front, shares of Silver Base Group Holdings (00886.HK), a distributor of Wuliangye spirits products on the mainland, sank on their trading debut on Wednesday. The shares dropped to HK\$3.02 before closing the week at HK\$3.34, which is 3.2% lower than its offering price of HK\$3.45.

Next week will be another 4-day week, shortened by the Easter Monday holiday. While major blue chips and H shares have already announced their results, investors are likely to turn their attention to the 1Q09 results announcements of US companies such as Intel, Google, Goldman Sachs, JP Morgan Chase and Citigroup. In the lack of fresh and concrete catalysts, we believe the market is hard to sustain the recent rally and profit taking would likely be seen next week.

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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 |
|-----------|-----------------|--------------|---------------------|------------------|------------------------|----------------------|--------------------------|
| 9th April | 7,837.11* | 1,590.66* | 8,916.06 | 1,828.51 | 917.89 | 444.07 | 5,667.80 |
| 3rd April | 8,017.59 | 1,621.87 | 8,749.84 | 1,820.87 | 907.01 | 446.04 | 5,529.63 |
| Change | -180.48 | -31.21 | +166.22 | +7.64 | +10.88 | -1.97 | +138.17 |
| % | -2.3% | -1.9% | +1.9% | +0.4% | +1.2% | -0.4% | +2.5% |

Remarks: (*) closing as of 8th April 2009

Major Changes in Index Constituent Stocks (Week ended 9th April 2009)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @9/4/09 | W-O-W Change | | Remarks / Comments |
|-----------------|------------|--------------------------|--------------|--------|---|
| | | | Absolute | % | |
| Esprit Holdings | 00330 | HK\$39.45 | -HK\$3.55 | -8.26% | Esprit shares plunged following confirmation that chief executive Heinz Krogner will be succeeded by Ronald Van der Vis, raising concern about the incoming chief executive's ability to lead the firm amid plummeting global demand. |
| COSCO Pacific | 01199 | HK\$18.72 | -HK\$1.53 | -7.56% | The world's fifth-largest port operator reported a 35.8% drop in net profit last year and said the operating environment for terminal and container leasing would remain difficult. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @9/4/09 | W-O-W Change | | Remarks / Comments |
|-------------|------------|--------------------------|--------------|--------|--|
| | | | Absolute | % | |
| Anhui Conch | 00914 | HK\$42.40 | -HK\$2.65 | -5.88% | The top Chinese cement maker disclosed that one of its senior executives was being investigated for dealings in the company's shares which were alleged to be in breach of relevant rules. |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @9/4/09 | W-O-W Change | | Remarks / Comments |
|----------------------|------------|--------------------------|--------------|--------|---|
| | | | Absolute | % | |
| Franshion Properties | 00817 | HK\$2.02 | -HK\$0.17 | -7.76% | Shimao Property Holdings (00813) issued profit warning for its FY08 results and was trying to raise up to HK\$1.96bn by selling 270m new shares, or 7.6% of its enlarged share capital. Other mainland developers were dragged down by the negative news. |
| Sino-Ocean Land | 03377 | HK\$5.35 | -HK\$0.42 | -7.28% | |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|--|--------------|---|
| Unemployment rate – March 2009 | 8.5% | The unemployment rate jumped to 8.5% in March from 8.1% a month earlier, the highest since November 1983. |
| Wholesale Inventories – February 2009 | -1.5% | Wholesale inventories fell 1.5%, the biggest percentage drop in 17 years. Autos showed the steepest draw in wholesale inventories at -7.9% in the month as the auto industry desperately tried to bring stocks in line with falling sales. |
| FOMC Minutes - For meeting held on 18 th March | - | The minutes of the March FOMC meeting showed deteriorating economic outlook by FOMC participants and by the Board's staff economists. The economists' projections for real GDP in the second half of 2009 and in 2010 were revised down, with real GDP expected to flatten out gradually over the second half of this year and then to expand slowly next year. |

Forthcoming Important Announcements / Events

| | | | |
|---|----|---|--|
| 13 th April 2009 (Monday) | HK | : | Easter Monday holiday |
| | US | : | No important announcement/event |
| 14 th April 2009 (Tuesday) | HK | : | Angang Steel (00347) – final results Dongfeng Motor (00489) – final results China Agri-Industries (00606) – final results China Southern Airlines (01055) – final results China Communications Construction (01800) – final results China Huiyuan Juice (01886) – final results China National Materials (01893) – final results Agile Property (03383) – final results |
| | US | : | Producer Price Index – March 2009 Retail Sales – March 2009 Intel – Q1 2009 results Johnson & John – Q1 2009 results Goldman Sachs – Q1 2009 results |
| 15 th April 2009 (Wednesday) | HK | : | Maanshan Iron & Steel (00323) – final results China Eastern Airlines (00670) – final results PICC Property and Casualty (02328) – final results |
| | US | : | Consumer Price Index – March 2009 Industrial Production – March 2009 |
| 16 th April 2009 (Thursday) | HK | : | Shui On Land (00272) – final results Air China (00753) – final results China Mengniu Dairy (02319) – final results |
| | US | : | Housing Starts – March 2009 Initial jobless claims – week ended 11th April 2009 JPMorgan Chase – Q1 2009 results Google – Q1 2009 results Southwest Airlines – Q1 2009 results |
| 17 th April 2009 (Friday) | HK | : | Kingway Brewery (00124) – final results SMIC (00981) – final results |
| | US | : | Consumer Sentiment – April 2009 Citigroup – Q1 2009 results General Electric – Q1 2009 results |



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