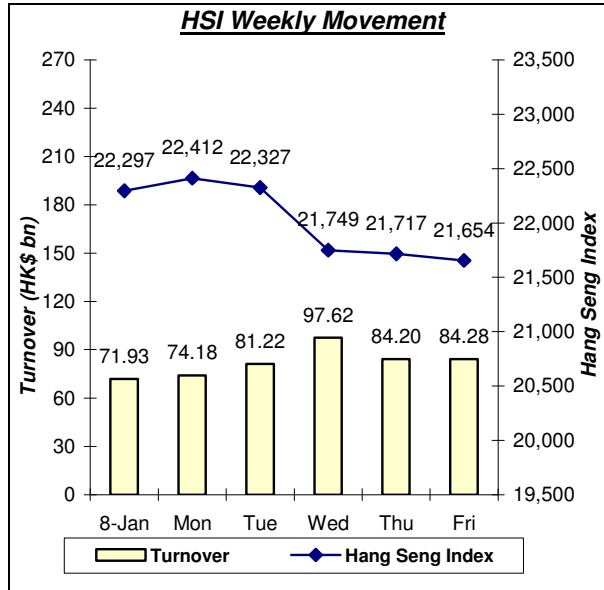




Restricted circulation
Analyst: Paul Sham

Weekly Report
15th January 2010

Concerns of tightening measures triggered a medium correction



Weekly Market Statistics				
Week ended	15/1/2010	08/1/2010	Change	%
Hang Seng Index	21,654	22,297	-643	-2.9%
HS Red Chip Index	4,234	4,192	+42	+1.0%
HS China Enterprises Index	12,357	13,035	-678	-5.2%
HS Composite Index	3,059	3,117	-58	-1.9%
HS HK Composite Index	2,203	2,240	-36	-1.6%
HS Mainland Composite Index	4,089	4,172	-83	-2.0%
Growth Enterprise Index	755	705	+50	+7.1%
Avg Daily Turnover (HK\$ bn)	84.3	74.8	+10	+12.7%
Sectoral Indices				
Finance	33,043	34,518	-1,475	-4.3%
Utilities	37,247	38,153	-906	-2.4%
Properties	26,918	28,498	-1,580	-5.5%
Comm & Ind	11,822	11,855	-33	-0.3%

Review & Outlook of Market Performance

Optimism over economic data released by the Mainland boosted the Hang Seng Index to open higher on Monday. China has overtaken Germany to become the world's top exporter after its overseas shipments in December surged 17.7% from a year earlier, which made investors to believe economic recovery was on track. Nevertheless, Hong Kong stocks began to slide following Beijing's surprising move to raise the reserve requirement ratio for lenders by 50 basis points. Market watchers interpreted the moves as the first step of China to exit from its stimulus plans, reversing the world's loose monetary policy prevalent since the Lehman Brothers collapse in September 2008. The benchmark HSI eventually finished at 21,654.16 points, down 642.59 points or 2.9% w-o-w. Average daily turnover was HK\$84.3 billion versus last week's HK\$74.8 billion.

In addition to the tighter credit measure on banks, the Chinese government also announced Mainland families intending to buy a second home would be required to make a downpayment of at least 40%, reinforcing its determination to contain the overheated property market. In response to the tightening measures, Mainland banking and property sectors were hit hardest during the week. ICBC, Bank of China and China Construction Bank slumped 6%-8.5% w-o-w while China Overseas, China Resources Land and Shimao Property plunged 7.5%-9.5% w-o-w.

On the IPO front, the floatation of Russian aluminium giant UC Rusal (00486), which plans to raise as much as HK\$20.1 billion through its shares sale in Hong Kong, was reported to be fully subscribed after it started book building on Tuesday. It was the first company banned by the Securities and Futures Commission from offering to retail investors due to its high debt ratio.

Looking ahead, the domestic market should continue to be hammered by some potential austerity measures in the PRC. The first increase in the reserve requirement ratio for mainland banks should have confirmed that China is preparing an exit from its massive economic stimulus package. The HSI is likely to trade lower and is seen to trade between 21,000 and 22,000 in the coming week.

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.

**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
15th January	10,710.55*	2,316.74*	10,982.10	2,920.19	1,298.58	746.52	8,356.89
8th January	10,618.19	2,317.17	10,798.32	2,922.76	1,292.98	738.96	8,280.90
Change	+92.36	-0.43	+183.78	-2.57	+5.60	+7.56	+75.99
%	+0.9%	-0.0%	+1.7%	-0.1%	+0.4%	+1.0%	+0.9%

Remarks: (*) closing as of 14th January 2010**Major Changes in Index Constituent Stocks (Week ended 15th January 2010)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @15/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
ICBC	01398	HK\$5.82	-HK\$0.54	-8.49%	Chinese lenders traded lower after the People's Bank of China announced on Tuesday evening that the lenders had to increase their reserves by 50 basis points. Investors feared that the central bank might be preparing to turn off the liquidity taps.
Bank of China	03988	HK\$3.99	-HK\$0.29	-6.78%	
China Construction Bank	00939	HK\$6.14	-HK\$0.39	-5.97%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @15/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communication Service	00552	HK\$4.50	+HK\$0.32	+7.66%	The State Council announced its support for network convergence of telecoms, broadcasting TV and Internet among the three telecom operators. Telecom service providers are expected to benefit from such policy.
Air China	00753	HK\$6.54	+HK\$0.65	+11.04%	Buoyant passenger and cargo demand coupled with lower oil prices have resulted in a major turnaround in the Mainland's airline industry which posted total profits of RMB7.4 billion for last year, compared with losses of RMB31.8 billion in 2008.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @15/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	01199	HK\$13.12	+HK\$1.44	+12.33%	Shipping counters surged this week as a strong rebound in China's exports fuelled hopes for a recovery of global trade and a better regional economic outlook. Exports in China climbed 17.7% from a year earlier in December, while imports jumped 55.9% during the same period.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Non-farm payrolls Unemployment rate – December 2009	-85,000 10.0%	Non-farm payroll employment in December fell 85,000, following a revised gain of 4,000 in November and a revised fall of 127,000 in October. The unemployment rate was unchanged at 10.0% in December, which beat the market consensus of 10.1%.
International Trade – November 2009	-US\$36.4 billion	The international trade deficit ballooned in November due to sharply higher petroleum imports and to a lesser degree non-petroleum imports. The overall US trade gap widened to US\$36.4 billion from a revised US\$33.2 billion shortfall in October.
Retail Sales – December 2009	-0.3%	Retail sales were unexpectedly down in December. Overall retail sales in December fell 0.3% after a 1.8% surge in November. The December gain was far below the market estimate for a 0.4% rise.
Initial jobless claims – Week ended 9 th January 2010	+11,000	Weekly unemployment claims were mixed. Initial jobless claims rose 11,000 to 444,000 while four-week average decline 9,000 to 440,750. The four-week average has declined for 19 straight weeks, which was a powerful indication of improvement in the labor market.

Forthcoming Important Announcements / Events

18 th January 2010 (Monday)	HK	:	Public Financial Holdings (0626) – final results
	US	:	US holiday – Martin Luther King Jr. Day
19 th January 2010(Tuesday)	HK	:	Unemployment statistics – October – December 2009
	US	:	Housing Market Index – January 2010 State Street Investor Confidence Index – January 2010
20 th January 2010 (Wednesday)	HK	:	Yue Yuen industrial (0551) – final results Pou Sheng International (3813) – final results
	US	:	Producer Price Index – December 2009 Housing Starts – December 2009
21 st January 2010 (Thursday)	HK	:	Pacific Andes (1174) – interim results Consumer Price Index –December 2009
	US	:	Initial jobless claims – the week ended 16 th January 2010 Leading Indicators – December 2009
22 nd January 2010 (Friday)	HK	:	First Natural Foods Holdings (1076) – final results
	US	:	No important announcement/event



Important Disclosure / Analyst Certification / Disclaimer

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.