新鴻基金融集團
SUN HUNG KAI FINANCIAL

[For Immediate Release]

Sun Hung Kai Financial tips small- and mid-caps to benefit from 'creative destruction'

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"Hong Kong and PRC Market Outlook for 2009"

Highlights:

- **HSI expected to range between 9,500 and 17,000**
- **HSCEI expected to range between 5,000 and 9,000**
- **China GDP growth to slow to 5%**
- **Small- and mid-cap stocks to outperform the market**

Hong Kong, 21 January 2009 – Sun Hung Kai Financial ("SHKF"), Hong Kong's leading non-bank financial institution, expects small- and mid-cap stocks to outperform the broader market over 2009, capitalising on the 'creative destruction' sparked by the global credit crisis.

During the 2008 calendar year, Hong Kong's benchmark indices plunged on the back of frozen credit markets, declining corporate earnings and the broader global economic meltdown sparked by the collapse of unsustainable asset prices in the U.S. housing sector. The Hang Seng Index (HSI) closed at 14,387 for 2008, a 48.3% decline from 31 December 2007, while the Hang Seng China Enterprises Index (HSCEI) dropped 51.1% to 7,891 during the same period.

The weakened financial environment in Hong Kong is expected to lead to a 3% year-on-year decline in GDP, led by slowdowns in the city's key industries – finance, property and exports – which account for more than half the economy in terms of GDP. With the global downturn gathering pace, the mainland's drive up the value chain has been put on hold, as the PRC government refocuses its efforts on supporting mainstream industries and preserving jobs. China's monetary expansion and fiscal stimulus policies are likely to help GDP to grow by 5%, lower than the target set by China's authorities.

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Mr. Alvin Chong, Head of Research, Sun Hung Kai Financial, said: "The depressed stock prices everywhere can be seen as 'creative destruction', providing a strong opportunity to pick up under-valued stocks. The notion of *'creative destruction'*, a term coined by Austrian economist Joseph Schumpeter, hinges on the concept of a new economy replacing the old – in other words, small- and mid-cap stocks replacing large-caps as the sectors of choice. We believe blue chips and large-caps will offer generally unattractive returns over 2009. Furthermore, these stocks will be eclipsed by selected small- and mid-cap stocks. Look for those companies at the forefront of an economic recovery, that feed off the value chain of large, transforming industries, have core competencies and have dominant brand names."

Mr. Chong noted that with difficult market conditions expected to persist over 2009, the U.S. dollar may also lose its support as a 'refuge' currency, and the Yen will return to fundamentals during 2H09. Gold will likely demonstrate limited upside potential, largely as a result of global fears of a deflationary environment.

"The coming year is expected to bring continued volatility, which we believe may persist until 2010. Fiscal measures and economic reforms will take some time to work their way through their respective systems and repair the damage caused by the collapse of an unsustainable bubble driven by easy credit," Mr. Chong concluded.

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About Sun Hung Kai & Co. Limited and Sun Hung Kai Financial

With its foundation dating back to 1969, Sun Hung Kai & Co. Limited, which operates under the name Sun Hung Kai Financial, is the leading non-bank financial institution in Hong Kong. The Group currently has more than HK$50 billion in assets under management, custody and/or advice, and approximately HK$11 billion of shareholders' equity. Its core areas of focus include wealth management and brokerage, asset management, corporate finance, consumer finance as well as principal investments. Listed on the HKEx (stock code: 86), the Group has an extensive branch and office network in over 60 locations in Hong Kong, Macau, China and Singapore.

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