新鴻基金融集團
SUN HUNG KAI FINANCIAL

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[For Immediate Release]

Sun Hung Kai Financial expects China banking and industrial stocks to outperform as global recovery gathers pace

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"Hong Kong and PRC Market Outlook for 2H 2009"

Highlights:

- **HSI fair value forecast at 21,000**
- **HSCEI fair value forecast at 12,800**
- **China GDP to meet 8% target**
- **China banking and industrial stocks to outperform**

Hong Kong, 15 July 2009 – Sun Hung Kai Financial ("SHKF"), Hong Kong's leading non-bank financial institution, expects the second half of 2009 to be a period of consolidation for the Hong Kong and China equities markets, with mainland banking stocks and the industrial sector buoyed by a forecast economic recovery in 2010 to be driven by asset reflation.

During the first half of 2009, benchmark indices in Hong Kong and China staged a significant rebound from their multi-year lows touched in 2008, as fears of a protracted depression abated. Over the first six months, the Hang Seng Index increased 22%, while the Hang Seng China Enterprises Index surged 32%. Across the border, the Shanghai Stock Exchange Composite Index rose 57%, making it one of the strongest performers when compared with other stock markets globally.

Hong Kong is expected to benefit from growing optimism in China during the second half of 2009, with both the local financial and property sectors already displaying signs that they are in the early stages of a recovery. Domestic consumption is expected to rise over the next six months and the job market is showing signs of improvement. Hong Kong's GDP growth for 2009 is expected to come in at –2%, rising to 2% in 2010.

China's fiscal position remains strong and the Government's capital investment policies remain highly supportive. Chinese banks' earnings are expected to benefit from asset reflation, while the early phase of an economic recovery will lead to encouraging rises in industrial sector profits. Cheap labor and raw materials, combined with strong sales in the retail, automotive and property sectors are all indicative of an early-phase economic recovery, underpinning a resilient economy which should see China's GDP growth reach its much publicised 8% target for 2009.

Sun Hung Kai Financial's Head of Research, Mr. Alvin Chong, said the U.S. dollar index, which has experienced a sharp 10% decline since March as equities markets recovered, was expected to continue to display some structural weakness.

Mr. Chong said: "Market sentiment is likely to continue improving during the second half of 2009, as we distance ourselves from the extreme risk aversion and high levels of volatility that we saw in late 2008. Looking ahead, the banking sector is traditionally a direct beneficiary of high levels of market liquidity, while the industrial sector generally outperforms during the early phase of an economic recovery."

"However, while the world's major economies should recover next year, the pace of this recovery will be neither smooth nor synchronised. Unless there are significant signals pointing to a sustained economic recovery, a return to risk aversion remains a key threat and we may experience periods of correction in both the Hong Kong and China equities markets."

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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 approximately HK$50 billion in assets under management, custody and/or advice, and more than 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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