

1 Jan 2009 – 17 Jan 2009

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Key points:

- * We have revamped the layout of our Weekly Flags report to show our ideas on: 1) notable trading/ pair trade ideas; 2) high yielding stocks and 3) cash rich stocks. In addition, we have also included our equities portfolio for monitoring of our performance
- * Our notable trades this week include: Texwinca (321 HK, HK\$3.37), which is trading at a deep discount to peer Giordano (709 HK), Fufeng Group (546 HK, HK\$0.44), where we think it consumer staple product of MSG should benefit from declining coal and corn costs, Yorkey Optical (2788 HK, HK\$0.91), which is trading significantly below cash per share and Fairwood (52 HK, HK\$5.38), where we think the deep valuation discount to peer Café de Coral (341 HK) is unwarranted

Table 1: Notabillias

Company	Ticker	Sector	Mkt. Cap (US\$m)	HIS P/E (x)	Cur-Yr P/E (x)	1-Yr P/E (x)	Remark
Texwinca	321 HK	Clothing & Accessories	573.4	4.5	4.9	4.7	Giordano is trading at 9.1x cur-year forward P/E
Fufeng Group	546 HK	Specialty Chemical	93.6	6.5	4.0	3.2	Stable MSG consumption with declining costs (coal and corn)
Yorkey Optical	2788 HK	Electronic Equipment	96.6	4.0	1.3	1.2	US\$122.7m net cash at end-Jun 08
Fairwood	52 HK	Restaurants & Bars	86.6	7.2	6.0	4.8	Café de Coral is trading at 17.4x cur-year forward P/E

Source: Bloomberg, SBI E2-Capital

Table 2: High yield stocks

Company	Ticker	Sector	Price (HK\$)	Mkt. Cap (US\$m)	Yield (%)	Currency	Net cash (m)	HIS P/E (x)	Cur-Yr P/E (x)	1-Yr P/E (x)
Dickson	113 HK	Apparel Retailers	2.23	106.4	14.9	HK\$	356.2	3.9	3.4	3.2
Pacific Textiles	1382 HK	Clothing & Accessories	0.71	130.4	12.8	HK\$	600.1	3.4	3.1	3.1
Vtech	303 HK	Toy	28.35	893.6	10.9	US\$	143.7	4.5	5.1	5.6
Oriental Press	18 HK	Publishing	0.70	215.2	10.6	HK\$	1,543.7	2.7	6.1	n.a.
Chen Hsong	57 HK	Industrial Machinery	1.40	112.9	10.0	HK\$	134.9	3.6	4.0	4.6
Sim Tech	2000 HK	Telecom Equipment	0.65	126.5	7.6	HK\$	576.4	3.6	3.9	3.6

Source: Bloomberg

Table 3: Cash rich stocks

Company	Ticker	Sector	Price (HK\$)	Mkt. Cap (US\$m)	CNY	Net cash (m)	Net cash/Mkt cap (%)	HIS P/E (x)	Cur-Yr P/E (x)	1-Yr P/E (x)
Lianhua*	980 HK	Retailers & Wholesalers	8.70	696.2	RMB	5,092.1	106.0	13.6	13.3	11.7
GZ Shipyard	317 HK	Ship building	9.50	958.8	RMB	4,827.7	72.9	4.1	4.3	3.7
Aeon	984 HK	Retailers	9.20	307.3	HKD	1,288.2	53.7	9.1	9.0	7.4
Alibaba	1688 HK	Internet	5.50	3,573.4	RMB	5,772.5	23.4	17.6	18.8	21.2
Dongfang	1072 HK	Industrial Machinery	17.50	3,611.4	RMB	1,276.6	5.1	7.4	24.9	8.2
Kingsoft	3888 HK	Software	2.70	371.6	RMB	1,031.1	40.2	13.1	8.5	6.6

Source: Bloomberg, Company data, SBI E2-Capital

* without considering RMB4,721.3m coupon liabilities.

Table 4: 2009 Portfolio performance (YTD return)

Company	Ticker	Principal products	Price (local)	Mkt. Cap (US\$m)	His P/E (x)	1-Yr P/E (x)	2-Yr P/E (x)	Abs. Return (%)	Rel. Return (%)
Shanshui Cement	691 HK	Cement	2.11	730.7	16.9	8.7	5.9	17.2	26.4
Solargiga	757 HK	Ingot and wafer	1.75	379.3	2.7	8.1	5.8	(10.7)	(3.7)
Yurun Food	1068 HK	Meat products	9.99	1,960.9	13.1	13.5	11.6	9.7	18.3
Times	1832 HK	Hypermarket	2.00	224.1	11.7	10.1	8.0	(2.4)	5.2
CSCI	3311 HK	Construction	1.19	373.0	5.3	5.6	4.6	(11.9)	(4.9)
Zhuzhou CSR	3898 HK	Railway equipment	5.75	799.3	14.5	14.3	11.5	(8.0)	(0.8)
Shandong Weigao	8199 HK	Medical devices	11.80	1,628.2	23.7	23.4	17.3	0.3	8.2
China Fishery*	CFG SP	Fish and fishmeal	0.59	309.1	3.2	3.1	2.7	(5.6)	(4.8)
Raffles Education*	RLS SP	Education service	0.54	832.4	12.4	10.9	10.5	(5.3)	(4.5)
Noble Group	NOBL SP	Commodities	1.02	2,207.8	4.4	4.2	5.5	0.0	0.8
Average								(1.7)	4.0

Source: Bloomberg, SBI E2-Capital

* SBI E2-Capital estimates.