

Weekly Flag

18 Jan 2009 – 30 Jan 2009

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Key points:

- * The market was relatively quiet in the past two weeks, partly due to the Lunar New Year holiday.
- * Stocks highlighted as notable trading / pair trade idea recorded minimal price movement. We think these ideas look still sound and intend to maintain them for one more week.
- * For high-yield stocks, we introduce some small cap stocks with strong balance sheet this week.

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)
Eagle Nice	2368 HK	Clothing & Accessories	1.05	67.3	19.5	HKD	288.0	3.1	n.a.	n.a.
Dickson Concept	113 HK	Apparel Retailers	2.00	95.5	14.9	HKD	356.2	3.5	3.2	2.8
Yau Lee	406 HK	Home Construction	0.68	38.2	13.9	HKD	674.3	n.a.	n.a.	n.a.
Yorkey	2788 HK	Electronic Equipment	0.90	95.5	13.5	USD	122.7	4.0	1.3	1.2
Pacific Textiles	1382 HK	Clothing & Accessories	0.69	126.8	12.8	HKD	600.1	3.3	3.0	3.0

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)	Curr-Yr P/E (x)	1-Yr P/E (x)	Abs. Return (%)	Rel. Return (%)
Shanshui Cement	691 HK	Cement	2.12	734.1	17.0	8.8	5.9	17.8	27.3
Solargiga	757 HK	Ingot and wafer	1.74	377.2	2.6	8.2	6.4	(11.2)	(4.1)
Yurun Food	1068 HK	Meat products	9.16	1,798.0	12.0	12.5	10.8	0.5	8.6
Times	1832 HK	Hypermarket	2.00	224.1	11.7	10.6	8.5	(2.4)	5.4
CSCI	3311 HK	Construction	1.22	382.4	5.4	5.7	4.8	(9.6)	(2.4)
Zhuzhou CSR	3898 HK	Railway equipment	6.20	861.8	15.7	15.4	12.5	(0.8)	7.2
Shandong Weigao	8199 HK	Medical devices	13.32	1,838.0	26.9	26.1	18.9	13.3	22.4
China Fishery*	CFG SP	Fish and fishmeal	0.57	296.0	2.9	2.6	2.1	(9.6)	(9.1)
Raffles Education*	RLS SP	Education service	0.53	824.6	10.8	10.4	8.8	(6.2)	(5.7)
Noble Group	NOBL SP	Commodities	1.04	2,251.0	4.5	4.2	5.5	2.0	2.5
Average								(0.6)	5.2

Source: Bloomberg, SBI E2-Capital

* SBI E2-Capital estimates.