Weekly Flag

31 Jan 2009 – 06 Feb 2009



Mon, 09 Feb 2009

Key points:

- * We adjusted our short-term trading picks, replacing Yorkey by Xiwang Sugar.
- * Yorkey is still in our cash-rich stock list. We think the major concern is still on the company's operation side given the soft demand for digital cameras during economy slowdown. Its share price slid 4.4% last week.
- We also add Pico (752 HK, HK\$0.51) to our cash-rich stock list. The company is in a net cash position of HK\$494.5m and its cash per share is HK\$0.41, or 80.4% of its stock price. We think that as 2010 Shanghai World Expo comes into focus, the company will be a key beneficiary.
- * Cane sugar price has been rebounding since beginning of this year. Xiwang Sugar could be a potential beneficiary.
- * Texwinca, Fufeng and Fairwood performed well with price up 4.4-14.1%. We maintain them as our picks for the week.

Table 1: Notabillias

ompany	Ticker	Sector	Mkt. Cap H	Remar			
			(US\$m)	(x)	(x)	(x)	
exwinca	321 HK	Clothing & Accessories	639.8	5.1	5.5	5.3	Giordano is trading at 8.7x cur-year forward P/E
ufeng Group	546 HK	Specialty Chemical	103.2	7.2	3.8	3.3	Stable MSG consumption with declining costs (coal and corn)
airwood	52 HK	Restaurants & Bars	90.7	7.6	6.3	5.1	Café de Coral is trading at 17.9x cur-year forward P/E
iwang Sugar	2088 HK	Restaurants & Bars	102.2	1.6	2.5	2.2	To benefit from increasing sugar price

Table 2: High yield stocks

Company	Ticker	Sector	Price	Mkt. Cap	Yield	Currency	Net cash	His P/E	Cur-Yr	1-Yr P/E
			(HK\$)	(US\$m)	(%)		(m)	(x)	P/E (x)	(x)
Eagle Nice	2368 HK	Clothing & Accessories	1.01	64.7	19.5	HKD	288.0	n.a.	n.a.	n.a.
Dickson Concept	113 HK	Apparel Retailers	2.10	100.2	14.9	HKD	356.2	3.4	3.0	0.6
Yau Lee	406 HK	Home Construction	0.72	40.4	13.9	HKD	674.3	n.a.	n.a.	n.a.
Yorkey	2788 HK	Electronic Equipment	0.86	91.3	13.5	USD	122.7	1.2	1.1	0.1
Pacific Textiles	1382 HK	Clothing & Accessories	0.30	37.4	6.3	HKD	600.1	n.a.	n.a.	n.a.

Source: Bloomberg

Table 3: Cash rich stocks

Company	Ticker	Sector	Price	Mkt. Cap	CNY I	Net cash	Net cash/Mkt	His P/E C	ur-Yr P/E 1·	·Yr P/E
			(HK\$)	(US\$m)		(m)	cap (%)	(x)	(x)	(x)
Lianhua*	980 HK	Retailers & Wholesalers	8.63	688.2	CNY	5,092.1	13.4	13.1	11.6	8.6
GZ Shipyard	317 HK	Ship building	9.59	1,091.4	CNY	4,827.7	4.2	4.3	3.9	9.6
Aeon	984 HK	Retailers	9.18	306.0	HKD	1,288.2	9.1	9.0	7.4	9.2
Alibaba	1688 HK	Internet	6.75	4,369.6	CNY	5,772.5	21.5	23.1	27.0	6.8
Pico	752 HK	Media, exhibitions	0.51	78.2	HKD	494.5	80.4	3.6	3.4	n/a
Dongfang	1072 HK	Industrial Machinery	18.30	3,802.3	CNY	1,276.6	7.8	25.3	8.9	18.3
Kingsoft	3888 HK	Software	3.00	412.8	CNY	1,031.1	14.6	9.4	7.4	3.0

Source: Bloomberg, Company data, SBI E2-Capital

* without considering RMB4,721.3m coupon liabilities.

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Table 4: 2009 Portfolio performance (YTD return)

Company	Ticker	Principal products	Price	Mkt. Cap	His P/E	Curr-Yr P/E	1-Yr P/E Al	os. Return	Rel. Return
			(local)	(US\$m)	(x)	(x)	(x)	(%)	(%)
Shanshui Cement	691 HK	Cement	2.35	813.8	18.8	9.7	6.5	30.6	37.6
Solargiga	757 HK	Ingot and wafer	1.57	340.3	2.4	7.4	5.7	(19.9)	(15.6)
Yurun Food	1068 HK	Meat products	10.30	2,021.8	13.5	14.0	12.0	13.1	19.1
Times	1832 HK	Hypermarket	1.85	207.3	10.8	9.8	7.9	(9.8)	(4.9)
CSCI	3311 HK	Construction	1.25	391.9	5.6	5.8	4.9	(7.4)	(2.4)
Zhuzhou CSR	3898 HK	Railway equipment	6.96	967.5	17.5	17.5	14.0	11.4	17.3
Shandong Weigao	8199 HK	Medical devices	12.86	1,774.5	25.9	25.1	18.3	9.4	15.2
China Fishery*	CFG SP	Fish and fishmeal	0.56	290.7	2.9	2.5	2.0	(11.2)	(8.8)
Raffles Education*	RLS SP	Education service	0.52	809.1	10.6	10.2	8.7	(8.0)	(5.5)
Noble Group	NOBL SP	Commodities	1.20	2,597.4	5.2	4.7	6.3	17.6	20.8
Average								2.6	7.3

Source: Bloomberg, SBI E2-Capital

* SBI E2-Capital estimates.