

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

| 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 | 639.8 | 5.1 | 5.5 | 5.3 | Giordano is trading at 8.7x cur-year forward P/E |
| Fufeng Group | 546 HK | Specialty Chemical | 103.2 | 7.2 | 3.8 | 3.3 | Stable MSG consumption with declining costs (coal and corn) |
| Fairwood | 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 |
| Xiwang Sugar | 2088 HK | Restaurants & Bars | 102.2 | 1.6 | 2.5 | 2.2 | To benefit from increasing sugar price |

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 | 1.01 | 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 (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 | 8.63 | 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.

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 | 2.35 | 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.