

Weekly Flag

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Key points:

- * Fufeng [546 HK] performed well in last two weeks. Despite the concern on the long-term outlook of MSG industry, we believe the company will record substantial margin expansion year due to sharp decrease in corn price as well as coal cost. In addition, as a market leader, the company is still able to find growth by consolidating market.
- * Triggered by the strong rebound of cane sugar price, share price of Xiwang Sugar [2088 HK] went up 10.4%.
- * Wasion [3393 HK] replaced Raffles Education [RLS SP] in our 2009 portfolio. We like Wasion for its exposure to the upgrading of China's electricity grid, which is further spurred on by gradual increase in electricity demand in rural areas from the "bring home appliances to the village" program.

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	595.5	4.7	5.1	4.9	Giordano is trading at 9.0x cur-year forward P/E
Fufeng Group	546 HK	Specialty Chemical	125.6	8.8	4.6	4.0	Stable MSG consumption with declining costs (coal and corn)
Fairwood	52 HK	Restaurants & Bars	99.9	8.3	6.9	5.6	Café de Coral is trading at 18.5x cur-year forward P/E
Xiwang Sugar	2088 HK	Restaurants & Bars	112.8	1.8	3.1	2.4	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	0.97	62.1	19.5	HKD	288.0	n.a.	n.a.	n.a.
Dickson Concept	113 HK	Apparel Retailers	2.17	103.6	14.9	HKD	356.2	3.4	3.0	0.6
Yau Lee	406 HK	Home Construction	0.88	49.4	13.9	HKD	674.3	n.a.	n.a.	n.a.
Yorkey	2788 HK	Electronic Equipment	0.85	90.2	13.5	USD	122.7	1.3	1.2	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	7.79	621.2	CNY	5,092.1	118.8	12.1	12.1	10.9
GZ Shipyard	317 HK	Ship building	9.15	1,157.3	CNY	4,827.7	60.4	4.0	4.2	3.8
Aeon	984 HK	Retailers	8.80	293.3	HKD	1,288.2	56.3	8.7	8.6	7.1
Alibaba	1688 HK	Internet	7.00	4,530.6	CNY	5,772.5	18.5	22.3	23.9	28.4
Pico	752 HK	Media, exhibitions	0.48	72.8	HKD	535.9	94.3	3.4	4.0	3.4
Dongfang	1072 HK	Industrial machinery	2.77	4,365.2	CNY	1,276.6	29.2	7.2	23.9	8.6
Kingsoft	3888 HK	Software	3.00	381.2	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 (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	2.34	810.3	18.8	10.2	6.6	30.0	46.2
Solargiga	757 HK	Ingot and wafer	1.30	281.8	2.0	5.8	4.5	(27.8)	(18.8)
Wasion	3393 HK	Power metre	1.98	206.3	6.2	5.4	4.4	0.0	0.0
Yurun Food	1068 HK	Meat products	9.22	1,809.8	12.1	12.5	10.7	1.2	13.9
Times	1832 HK	Hypermarket	1.67	187.1	9.8	8.8	7.1	(18.5)	(8.4)
CSCI	3311 HK	Construction	1.31	410.7	5.8	5.9	4.9	(3.0)	9.2
Zhuzhou CSR	3898 HK	Railway equipment	7.15	993.9	18.0	17.6	14.1	14.4	28.7
Shandong Weigao	8199 HK	Medical devices	13.40	1,849.0	27.0	26.0	19.2	13.9	28.2
China Fishery*	CFG SP	Fish and fishmeal	0.61	316.9	3.1	2.7	2.2	(3.2)	6.9
Noble Group	NOBL SP	Commodities	1.03	2,229.4	4.4	4.0	5.3	1.0	11.5
<i>Average</i>								0.8	11.7
Removed from portfolio									
Raffles Education	RLS SP	Education service			Removed on 23 Feb			(30.1)	(22.8)
Total return								(2.0)	8.6

Source: Bloomberg, SBI E2-Capital

* SBI E2-Capital estimates.